

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	532373
<015>	Study Area Name	GERVAIS TELEPHONE CO
<020>	Program Year	2016
<030>	Contact Name: Person USAC should contact with questions about this data	Kathy DeHart
<035>	Contact Telephone Number: Number of the person identified in data line <030>	5037925210 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	kdehart@datavision.coop

<b>ANNUAL REPORTING FOR ALL CARRIERS</b>	<b>54.313</b>	<b>54.422</b>
	<b>Completion Required</b>	<b>Completion Required</b>

<100>	Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200>	Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<210>	<input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<300>	Unfulfilled Service Requests (voice)	0	<input type="checkbox"/>	<input type="checkbox"/>
<310>	Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<320>	Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<330>	Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<400>	Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<410>	Fixed	0.0	<input type="checkbox"/>	<input type="checkbox"/>
<420>	Mobile	0.0	<input type="checkbox"/>	<input type="checkbox"/>
<430>	Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<440>	Fixed	0.0	<input type="checkbox"/>	<input type="checkbox"/>
<450>	Mobile	0.0	<input type="checkbox"/>	<input type="checkbox"/>
<500>	Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<510>	532373or510.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<600>	Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<610>	532373or610.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<700>	Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<710>	Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<800>	Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900>	Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1000>	Voice Services Rate Comparability Certification	Yes	<input type="checkbox"/>	<input type="checkbox"/>
<1010>		(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<1100>	Certify whether terrestrial backhaul options exist (Yes or No)	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1110>		(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1200>	Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**(100) Service Quality Improvement Reporting  
Data Collection Form**

 FCC Form 481  
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<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@datavision.coop
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

532373or112.pdf

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

## Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How much (USF) was used to improve service quality and how support was used to improve service quality
- <116> How much (USF) was used to improve service coverage and how support was used to improve service coverage
- <117> How much (USF) was used to improve service capacity and how support was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

Yes
Yes
Yes
Yes
Yes
Not Applicable

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<701> Residential Local Service Charge Effective Date  
<702> Single State-wide Residential Local Service Charge

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Journal of Internal Medicine 247: 115–121

[illegible]

(710) Broadband Price Offerings  
Data Collection Form

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[illegible]

(800) Operating Companies  
Data Collection Form

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July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@datavision.coop
<810>	Reporting Carrier	Gervais Telephone Company
<811>	Holding Company	Gervais Telephone Company
<812>	Operating Company	na

[illegible]

**(900) Tribal Lands Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010> Study Area Code 532373  
 <015> Study Area Name GERVAIS TELEPHONE CO  
 <020> Program Year 2016  
 <030> Contact Name - Person USAC should contact regarding this data Kathy DeHart  
 <035> Contact Telephone Number - Number of person identified in data line <030> 5037925210 ext.  
 <039> Contact Email Address - Email Address of person identified in data line <030> kdehart@datavision.coop

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

<921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.  
 <922> Feasibility and sustainability planning;  
 <923> Marketing services in a culturally sensitive manner;  
 <924> Compliance with Rights of way processes  
 <925> Compliance with Land Use permitting requirements  
 <926> Compliance with Facilities Siting rules  
 <927> Compliance with Environmental Review processes  
 <928> Compliance with Cultural Preservation review processes  
 <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable



**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

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July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@datavision.coop

<1120> Please confirm whether terrestrial backhaul options exist within the supported area pursuant to § 54.313(g) (Yes, No).

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).



**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

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<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@datavision.coop

532373or1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP <http://datavision.coop/>

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,



<1222> Details on the number of minutes provided as part of the plan,



<1223> Additional charges for toll calls, and rates for each such plan.



**(2000) Price Cap Carrier Additional Documentation****Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

**Incremental Connect America Phase I reporting**

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)i}  
 <2011a> 3rd Year Certification {47 CFR § 54.313(b)(1)ii}  
 <2011b> Attachment {47 CFR § 54.313(b)(1)iii}


Name of Attached Document(s) Listing Required Information

**Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}**

- <2012> 2013 Frozen Support Calculation {47 CFR § 54.313(c)(1)}  
 <2013> 2014 Frozen Support Calculation {47 CFR § 54.313(c)(2)}  
 <2014> 2015 Frozen Support Calculation {47 CFR § 54.313(c)(3)}  
 <2015> 2016 and future Frozen Support Calculation {47 CFR § 54.313(c)(4)}


**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

- <2016> Certification Support Used to Build Broadband

--

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

- <2017> 3rd year Broadband Service Certification  
 <2018> 5th year Broadband Service Certification  
 <2019> Interim Progress Certification  
 <2020> Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.


- <2021> Interim Progress Community Anchor Institutions

--

Name of Attached Document(s) Listing Required Information

## (3000) Rate Of Return Carrier Additional Documentation

## Data Collection Form

FCC Form 481

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<039> Contact Email Address - Email Address of person identified in data line <030>	kdehart@datavision.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

532373or1310.pdf

- (3010) Progress Report on 5 Year Plan  
Milestone Certification (47 CFR § 54.313(f)(1)(i))

Name of Attached Document Listing Required Information

- (3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.



532373or1312.pdf

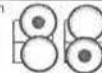
- (3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))

Name of Attached Document Listing Required Information

- (3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))  
(3014) If yes, does your company file the RUS annual report

(Yes/No)

(Yes/No)



Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

- (3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)



- (3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows



- (3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

- (3018) If the response is no on line 3014, Is your company audited?

(Yes/No)



If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

- (3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications



- (3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows



- (3021) Management letter and audit opinion issued by the independent certified public accountant that performed the company's financial audit



If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

- (3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,



- (3023) Underlying information subjected to a review by an independent certified public accountant



- (3024) Underlying information subjected to an officer certification.



- (3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows



532373or1326.pdf

- (3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

## (3000) Rate Of Return Carrier Additional Documentation (Continued)

FCC Form 481

## Data Collection Form

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## Financial Data Summary

(3027) Revenue

2806290

(3028) Operating Expenses

2344458

(3029) Net Income

263272

(3030) Telephone Plant In Service(TPIS)

11189720

(3031) Total Assets

6852766

(3032) Total Debt

2327813

(3033) Total Equity

4524953

(3034) Dividends

0



<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
-------------------------------------------------------------------	----------------------------------------------------------------------------------

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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: GERVAIS TELEPHONE CO	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/29/2015
Printed name of Authorized Officer: John Hoffmann	
Title or position of Authorized Officer: President /CEO	
Telephone number of Authorized Officer: 5037923611 ext.	
Study Area Code of Reporting Carrier: 532373	Filing Due Date for this form: 07/01/2015
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier  
Data Collection Form**

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**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____ ext. _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____ ext. _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

## Attachments

<p>(700) Price Offerings including Voice Rate Data Data Collection Form</p>	<p>FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013</p>
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<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@datavision.coop

<701>	Residential Local Service Charge Effective Date	1/1/2015
<702>	Single State-wide Residential Local Service Charge	

[illegible]



(710) Broadband Price Offerings  
Data Collection Form

FCC Form 481

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July 2013

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<020>	Program Year	2016
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<035>	Contact Telephone Number - Number of person identified in data line <030>	5037925210 ext.
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<039> Contact Email Address - Email Address of person identified in data line <030> kdehart@datavision.coop

<711>

[illegible]

**Gervais Telephone Company**  
**2015**  
**PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN**

**PREAMBLE**

This document is an integral part of the Company's 2015 Annual Report, as attached to Form 481. It is in compliance with §54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the Annual Report was due by Rule, to the requisite regulatory authorities.

Gervais Telephone Company advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in its initial 5 Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implication upon the Company's financial viability in providing the required services and service level quality became known.

Modifications to the network plan may also have been taken due to changes in technology (vendor)-driven support, weather, or other emergency related contingencies.

Targets not met or changed since the initial 5 Year Plan filing are identified and reasons provided for those changes.

**UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015**

Per the Universal Service Administrative Company (USAC), as available for the period up to this filing, Gervais Telephone Company received a total of \$279,887 (as of 5/31/15) in USF support funds. The breakdown of the funding to the point of filing is:

- \$138,737 High Cost Loop Support
- \$0 Local Switching Support
- \$51,795 Connect America Fund-Intercarrier Compensation Support
- \$89,355 Interstate Common Line Support
- \$0 Safety Net Additive

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband within the authorized serving area.

USF support will continue to be included in the Company's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as to cover operating expenses and fixed costs incurred to obtain capital from lenders. The Company does not segregate USF separately for purposes of capital and

operating expenditures; USF is expended in the same proportion as its contribution is to the Company's aggregated revenue amount.

The proportionate share of USF expenditures in 2015 to date for CAPEX is estimated to be \$129,105 (46%) ; for OPEX \$150,782 (54%).

In the accompanying 2015 project detail, expenditures for network improvements sometimes involve service quality, coverage and capacity as an integrated improvement project and are not mutually exclusive from one another. In terms of cost, projects involving multiple qualifiers are of equal dollar equivalence. Where a project involves a single qualifier, it is so noted.

## **PROGRESS REPORT**

### **2015**

In 2015, Gervais Telephone Company used operating cash flow for the following network projects:

FttH - Douglas Ave South 5<sup>th</sup>, 6<sup>th</sup>, and 7th: Deploy FttH in this area. This project was planned for 2014, but was completed in the 1<sup>st</sup> quarter of 2015.

FttH - Waconda Pioneer to Howell Prairie: Build FttH in this area. This project was planned for 2014, but was moved out to 2015 and will be completed in the 2<sup>nd</sup> half of 2015.

72<sup>nd</sup> Ave. South to Stratford Rd: Deploy FttH in this area. Due to demand in other areas, this project has been moved to 2016.

FttH Mt. Angel-Gervais Rd – Part 1: Deploy FttH to 39 residential households and one business. This project was completed in the 1st half of 2015.

FttH Howell Prairie Rd North: Deploy FttH to 17 residential households and 5 businesses. This project is in process and will be completed in 2015.

FttH 99E & Boones Ferry Rd: Deploy FttH to 12 residential households and 4 businesses. This has been moved to 2016.

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**NETWORK IMPROVEMENT PROJECTS-PROGRESS REPORT  
AS OF 2015 ANNUAL REPORT SUBMISSION - JULY 1, 2015**

\\server1\user\shares\Kathy\FCC\481\NETWORK UPGRADE DETAILS for 2015.xlsx[2015

AP F.	WIRE CENTER NAME & CLI	DESCRIPTION of IMPROVEMENT	PURPOSE	COST ESTIMATE	ACTUAL COST	REGULATED % ALLOCATION	AMOUNT IN USF SUPPORT AREA	% VOICE	% BROADBAND	# HOUSEHOLDS & BUSINESSES	TARGET COMPLETION DATE	ACTUAL COMPLETION DATE	Notes
	A	B		C	D	E	F=CxE	***	***	***	***	***	
	<b>2015</b>												
	<b>Gervais Telephone Company</b>												
114-1		FTTH - Douglas Ave South 5th, 6th, and 7th	Service Quality and Capacity	\$5,000	\$753	100%	\$5,000	50%	50%	30	12/31/2015		1,3
114-2		FTTH - Waconda - Pioneer to Howell Prairie	Service Quality and Capacity	\$28,000	\$18,240	100%	\$28,000	50%	50%	13	3/31/2015	3/31/2015	1
115-1		72nd Ave. South to Stratford Rd	Service Quality and Capacity	\$14,000	\$0	100%	\$14,000	50%	50%	19	12/31/2016		2
115-2		FTTH - Mt. Angel-Gervais Rd - Part 1	Service Quality and Capacity	\$24,000	\$15,211	100%	\$24,000	50%	50%	40	12/31/2015	2/28/2015	
115-3		FTTH - Howell Prairie Rd North	Service Quality and Capacity	\$40,000	\$26,461	100%	\$40,000	50%	50%	22	12/31/2015		3
115-4		FTTH - 99E & Boones Ferry Rd	Service Quality and Capacity	\$15,000	\$0	100%	\$15,000	50%	50%	16	12/31/2015		2

**NOTES**

2015 TOTAL PROJECTS

\$126,000

v4

- 1 Project moved from 2014 to 2015.
- 2 Project moved to 2016 as result of acceleration of above projects
- 3 As of 6/15/2015, project in process for completion.



## SUMMARY DISCUSSION OF PLANS BY YEAR

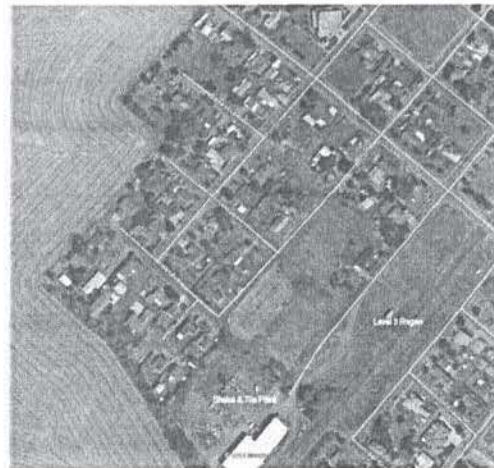
### 2014

#### 2014 -- PROJECTS IN GERVAIS WIRE CENTER --GRVSORXXDS0

##### #1(2014) FTTH – Douglas Ave. South on 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> Streets –

*Budgeted Cost: \$5,000; w/o 14GT088 --* EF&I fiber drops and Optical Network Interfaces (ONTs) along 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> south of Douglas. Distribution fiber on these streets, fed by a feeder fiber on Douglas, already exists. This will replace older, aerial copper service in the City of Gervais. This will provide additional service to 29 residential households, 1 business (Summit Tile Roofing) and one anchor institution (the MCI/Level 3 regeneration hut). It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

*Budgeted Cost: \$5,000; w/o 14GT088(same w/o as above) –* To purchase the ONTs.

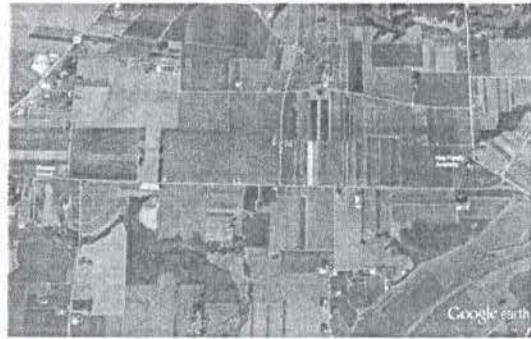


**#2(2014) FTTH - Waconda – Pioneer to Howell-Prairie –**

*Budgeted Cost: \$10,000; w/o 14GT086 – EF&I fiber route on Waconda Rd, from Pioneer School to Howell Prairie Rd. completing the job started in 2013.*

*Budgeted Cost: \$18,000; w/o 14GT089 – Furnish & Install Waconda Rd. drops ONTs.*

These two work orders will replace old copper in Marion County. This will provide additional service to 11 residential households and farms, and 2 anchor institution (Pioneer School & Holy Family Academy) and help close a leg of a fiber ring to provide redundancy. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these locations.



## 2015 -- PROJECTS PLANNED in the GERVAIS WIRE CENTER --GRVSORXXDS0

### 2015-1 72<sup>nd</sup> Ave. South to Stratford Rd.--

*Budgeted Cost: complete conduit and pull fiber \$14,000;*

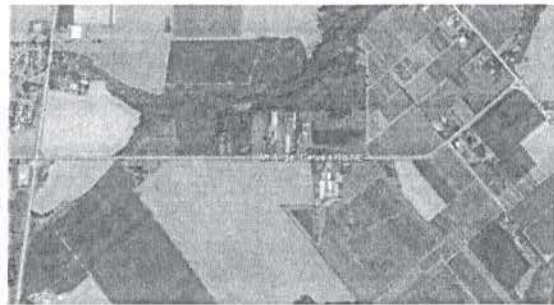
*Drops & ONTs \$18,000; w/o 14GT091 --* Complete the conduit construction by proofing the conduit and EF&I fiber on 72<sup>nd</sup> Ave. Then EF&I fiber drops and Optical Network Interfaces (ONTs). These will be fed from the existing main line fiber at Waconda Rd. and will replace older copper DSL service in the county. This will provide improved service to 19 residential households and small farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



**2015-2 FTTH -Mt. Angel-Gervais Rd. part 1-**

*Budgeted Cost: \$24,000; w/o 14GT090 --* EF&I fiber drops and Optical Network Interfaces (ONTs) on Mt Angel-Gervais Rd. from SR 99E to the exchange boundary. These will be fed from the existing main line fiber on Mt. Angel-Gervais Rd. and will replace older copper DSL service in the county. This will provide improved service to 39 residential households and small farms, and one business (Microplant). It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

99E to Howell-Prairie Rd.



Howell-Prairie to Pudding River (exchange border)





**2015-3 FTTH – Howell-Prairie Rd. north –**

*Budgeted Cost: \$40,000(p); w/o TBA --* EF&I conduit, fiber, drops and ONTs on Howell-Prairie Rd north of Mt Angel-Gervais Rd. to SR 99E. This will replace older copper DSL service in the county. This will provide improved service to 17 residential households and farms and 5 businesses. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.





**2015-4 FTTH -99E & Boones Ferry Rd.-**

*Budgeted Cost: \$15,000(p); w/o TBA --* EF&I conduit, fiber, drops and ONTs on SR 99E N of Douglas St. and extend N on Boones Ferry Rd. There is some conduit already placed on 99E. This will replace older copper DSL service in the county. This will provide improved service to 12 residential households and farms and 4 businesses. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



**GERVAIS TELEPHONE COMPANY**  
2015 Annual 54.313 Report of High-Cost Recipient

Line 510 Documentation

54.313(a)(5) Satisfaction of Consumer Protection and Service Quality Standards

Consumer Protection

Gervais Telephone Company complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Voice

Gervais Telephone Company complies with the service standards of the State of Oregon as promulgated in the Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities.

Broadband

Gervais Telephone Company complies with the service standards noted in NECA Tariff #5 and is committed to provide the highest quality service to its broadband customers.

**Gervais Telephone Company**  
2015 Annual 54.313 Report of High-Cost Recipient

Line 610 Documentation

54.313(a)(6) Ability to Remain Functional in Emergency Situations

Back-up Power

**Gervais Telephone Company** has the following back-up power capabilities:

Switches – stand alone and/or host

Genband C15 is backed up by a Generac liquid cooled gas generator SG035, 35KW power rating, with an automatic transfer switch, dual fueled natural gas/propane, with a 120 gal standby LP tank and a propane truck located at a nearby farm. It is backed up by a string of 24 Exide G lead acid batteries.

Remote Central Offices

none

Subscriber carrier (DLC, AFC, OPM, etc.)

Carrier Loc. Howell Prairie	dc batteries backed up by a portable generator
Carrier Loc. Pioneer	dc batteries backed up by a portable generator
Carrier Loc. St. Louis	dc batteries backed up by a portable generator
Carrier Loc. Butteville	dc batteries backed up by a portable generator

Network Interface Devices (NIDs)

**Gervais Telephone Company** has 600 customers with metallic (copper) connections to the Central Office and their NIDs are powered from the Central Office.

**Gervais Telephone Company** has approximately 25 customers with non-metallic (fiber optic) connections to the Central Office. These customers' NIDs are battery powered in case of emergency. The batteries are rated to last 8-24 hours with no use and 4 hours with constant use.

Ability to reroute traffic around damaged facilities:

**Gervais Telephone Co.** has redundant facilities to its connecting toll tandem. This redundant facility is in the form of a SONET rings with alternate physical facilities between **Gervais Telephone Co.** and **CenturyLink**, its interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations

**Gervais Telephone Co.** has about 670 customers, switching capacity of 2500 simultaneous calls, and transport capacity for 96 simultaneous calls to the toll network, 84 simultaneous calls to Salem, and 48 simultaneous calls to Woodburn. **Gervais Telephone Co.** takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

Gervais Telephone Company  
Terms & conditions of Voice Telephony Lifeline Plans  
FCC Form 481 Line 1210

The Lifeline program for Gervais Telephone Company is administered by the Oregon Public Utility Commission (OPUC) through the Oregon Telephone Assistance Program (OTAP.) Potential customers apply directly with the OPUC to qualify for a credit of up to \$12.75, which is applicable to eligible telephone plan charges. The OPUC notifies Gervais Telephone of customer eligibility. Customers can choose a voice access line plan offered by Gervais Telephone Company and will continue to receive the Lifeline credit until Gervais Telephone is notified by the OPUC that they are no longer eligible, or until the customer disconnects service. The OPUC application for Lifeline service, which details the terms and conditions of the plan, is included on the following four pages.

**54.313 Lifeline customer MOU an additional toll charges**

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. Lifeline subscribers, similar to every Gervais Telephone Company subscriber, are free to choose their own toll usage plans through an Interexchange Carrier.

## Public Utility Commission (Home)

[Search](#)[About Us](#)[Contact Us](#)[Commissioners](#)[General Information](#)[Administrative Rules](#)[Consumer Help](#)[Electric/Natural Gas](#)[Hearings Division](#)[Oregon Telephone Assistance Programs](#)[Safety](#)[Telecommunications](#)[Water](#)[Board of Maritime Pilots](#)[Home](#)[Jobs at PUC](#)

## Oregon Lifeline (Oregon Telephone Assistance Program)



The Oregon Public Utility Commission (PUC) manages the Oregon Lifeline program. If you qualify, this federal and state government assistance program reduces your monthly residential/landline or wireless phone bill by \$12.75.

[List of residential/landline and wireless companies that provide the Oregon Lifeline benefit](#)

### How to Apply for Lifeline:

#### Using Online Application:

Submit your application online if you or a member of your household participates in one of the following programs:

- Supplemental Nutrition Assistance Program; Food Stamps (SNAP)
- Temporary Assistance for Needy Families (TANF)
- Supplemental Security Income (SSI)
- State Medical Programs (at or below 135% of federal poverty guidelines)
- Medicaid

#### Using Printed Application:

Complete and send a printed application to our office with the current documentation if you or a member of your household participates in one of the following programs or meets the income requirements:

- National School Lunch Program; Free Lunch Program Only (NSLP)
- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Total household income is at or below 135% of federal poverty guidelines

[Click Here to Apply Online](#)

[Click Here to Print Application](#)

[Aplicar en Español](#)

[Подать заявление на русском языке](#)

[Nộp đơn bằng tiếng Việt](#)

[Contact Oregon Lifeline \(RSPF\)](#)

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ODVA LEARN ABOUT VETERAN BENEFITS

#### WEB SITE LINKS

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#### PDF FILE ACCESSIBILITY

Adobe Reader, or equivalent, is required to view PDF files. Click the "Get Adobe Reader" image to get a free download of the reader from Adobe.





# Oregon Lifeline Application

You may complete an Oregon Lifeline  
Application online at: [www.rspf.org](http://www.rspf.org)

Oregon Public Utility Commission  
PO Box 1088, Salem, OR 97308-1088  
800-848-4442 or 503-373-7171  
TTY: 800-648-3458  
VP: 971-239-5845  
Fax: 877-567-1977 or 503-378-6047  
Email: [puc.rspf@state.or.us](mailto:puc.rspf@state.or.us)

The Oregon Public Utility Commission (PUC) manages the Oregon Lifeline program.  
If you qualify, this federal and state government assistance program can reduce your monthly  
residential/landline or wireless phone bill by \$12.75.

## Complete Sections 1, 2a or 2b, and 3

Applicant's Legal Name ( <i>Last, First, M.I.</i> ) (Applicant's legal name MUST be on phone bill/account)			
Applicant's Social Security No. - -		Applicant's Birth Date / /	
Applicant's Home Address	Apt. #	Is this a temporary address? <input type="checkbox"/> Yes <input type="checkbox"/> No	
City	State Oregon	Zip	
Applicant's Mailing Address (if different from home address)			Apt. #
City	State Oregon	Zip	
Applicant's Phone Company (listed below)		Applicant's Phone Number ( ) -	

If you are unable to provide the above information, please contact us for assistance.

### Landline phone companies that reduce your monthly phone bill by \$12.75:

Asotin	ComSpan	Home/TDS	North State	Reliance Connects
Beaver Creek	Eagle	Molalla	Oregon Tel. Corp.	Roome Tel Com
Canby Co-Op	Frontier	Monitor	Oregon/Idaho	Scio Mutual
CenturyLink	Gervais/	Monroe	People's	St. Paul
Clear Creek	DataVision Co-Op	Mt. Angel	Pine Telephone	Stayton Co.
Colton	Helix	Nehalem	Pioneer	Warm Springs

### Wireless phone companies that reduce your monthly phone bill by \$12.75:

AT&T Mobility\* in select areas

Snake River PCS

US Cellular

\*AT&T Mobility only offers the Oregon Lifeline benefit in select areas.

Call 1-800-377-9450 to determine if AT&T offers the Oregon Lifeline benefit in your coverage area.

## PROGRAM-BASED ELIGIBILITY

Place a check mark ☒ next to all programs that you or your household members are currently enrolled in:

- ☐ Supplemental Nutrition Assistance Program; Food Stamps (SNAP)
- ☐ Temporary Assistance for Needy Families (TANF)
- ☐ Supplemental Security Income (SSI)
- ☐ State Medical Programs (at or below 135% of federal poverty guidelines)
- ☐ Medicaid

Provide current documentation for one of the following programs:

- ☐ National School Lunch Program; Free Lunch Program Only (NSLP)
- ☐ Low-Income Home Energy Assistance Program (LIHEAP)
- ☐ Federal Public Housing Assistance (Section 8)

Complete Section 2b **ONLY** if you do not qualify for any programs in Section 2a.

## INCOME-BASED ELIGIBILITY

Place a check mark ☒ next to your Household Size. To qualify, your Household Yearly Income must fall within the range indicated next to your Household Size. A Household is defined as any individual or group of individuals who live together at the same address and share income and expenses. Proof of income must be included with your application.

Household Size	Gross Yearly Income	Household Size	Gross Yearly Income	Household Size	Gross Yearly Income
<input type="checkbox"/> 1	\$0 - \$15,890	<input type="checkbox"/> 3	\$0 - \$27,122	<input type="checkbox"/> 5	\$0 - \$38,354
<input type="checkbox"/> 2	\$0 - \$21,506	<input type="checkbox"/> 4	\$0 - \$32,738	<input type="checkbox"/> 6	\$0 - \$43,970

More than 6 members of your household? Please contact us at 1-800-848-4442.

Provide one or more of the following documents as proof of your income:  
(Provide copies only – Originals will not be returned)

- Last year's Federal or State income tax return
- Current annual income statement from employer
- Pay stubs for any three consecutive months within the last 12 months
- Veteran's administration statement of benefits
- Unemployment or Workers' Compensation statement of benefits
- Social Security statement of benefits
- Retirement or Pension statement of benefits
- Divorce decree or Child Support documentation containing income information



Please completely **READ** and **SIGN** this form indicating that you understand and agree to comply with the following Oregon Lifeline rules:

- ☐ I understand that completing this application does not immediately approve me for the Oregon Lifeline benefit. I will be notified in writing of my application status.
- ☐ I understand it may take 30-90 days for the phone company to apply the Oregon Lifeline benefit to my phone bill/account.
- ☐ I give the Oregon Public Utility Commission (PUC), the Federal Communication Commission, and the Universal Service Administrative Company authority to obtain or review any required records needed to confirm my statements and to confirm that I qualify for the Oregon Lifeline. I also authorize the phone company to release any required records for my Oregon Lifeline benefit.
- ☐ I am head of household and no one else in my household receives landline or wireless OTAP/Lifeline service.
- ☐ I understand that the Oregon Lifeline credit is only allowed for ONE PHONE LINE PER HOUSEHOLD
  - A household is defined as any persons who live together at the same address and share income and expenses.
- ☐ I understand that if I break or violate the one-per-household rule I will no longer qualify for the Oregon Lifeline program.
- ☐ I agree to let the PUC know within 30 days if:
  - I no longer qualify for the Oregon Lifeline benefit
  - I receive more than one Oregon Lifeline benefit
  - I no longer take part in a qualifying program
  - I disconnected service with my phone company
  - Another member of my household is also receiving the Oregon Lifeline benefit
- ☐ I understand that I have 30 days to notify the PUC if I no longer qualify for the Oregon Lifeline benefit or I may be removed from the program.
- ☐ I agree to notify the PUC of address changes within 30 days of moving.
- ☐ I understand that my Oregon Lifeline benefit may not be transferred or given to any other person.
- ☐ I understand that I may be required to confirm that I still qualify for the Oregon Lifeline benefit at any time and that, if I do not comply, my Oregon Lifeline benefits will stop.
- ☐ I understand that Oregon Lifeline is a state and federal benefit and willfully making false statements or providing false or fraudulent documents to obtain the benefit is punishable by law and can result in fines, imprisonment, disqualification or being permanently removed from the program.

***By signing this application I certify under penalty of perjury that the information contained in this application is true and correct and that I meet the eligibility criteria for the Oregon Lifeline benefit.***

Applicant Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**Make sure your application is complete before sending it. Did you:**

☐ Complete Sections 1, 2a or 2b, and Section 3 of the application?

☐ Include current documentation from Sections 2a or 2b (if needed)?

*Failure to provide current documentation may result in denial or delay of your application.*

**Please mail completed application (with current documentation, if needed) to:**

PUC • PO Box 1088 • Salem, OR 97308 **OR** Fax to 1-877-567-1977 or 503-378-6047



DataVision  
COOPERATIVE

June 26, 2015

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
9300 East Hampton Drive  
Capitol Heights, MD 20743

Re: WC Docket No. 14-58, 2015 /annual Report, Form 481 for High-Cost Recipient 54.313(f)(1)  
"Milestone Certification:

Dear Ms Dortch:

In compliance with the filing requirements associated with, and attached to Form 481, we wish to advise the Commission that Gervais Telephone Company dba DataVision Cooperative:

- Has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream;
- Provides latency suitable for real-time applications including VoIP and usage capacity which is reasonable comparable to those in urban areas and;
- That reasonable requests for service are met within a reasonable timeframe.

If there are questions I may be contacted at 503-792-3611.

Sincerely,

John Hoffmann  
President/CEO  
Gervais Telephone Company

**Gervais Telephone Company**

**2015 Annual 54.313 Report of High-Cost Recipient**

Line 3012 Documentation

**ANCHOR INSTITUTIONS WITHIN GERVAIS TELEPHONE COMPANY'S TERRITORY**

Access to broadband services was available prior to 2014 to all known anchor institutions. All requests for broadband services, and speed, were fulfilled in 2014. Gervais Telephone Company continues to monitor customer demand and technological innovation, planning to size its network to anticipation of requests for high speed broadband services.



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**GERVAIS TELEPHONE COMPANY  
AND SUBSIDIARY  
(AN OREGON COOPERATIVE CORPORATION)**

**Consolidated Financial Statements**

*Years Ended December 31, 2014 and 2013*



**AKT**

**CPAs AND BUSINESS CONSULTANTS**

# GERVAIS TELEPHONE COMPANY and SUBSIDIARY

*(An Oregon Cooperative Corporation)*

## Consolidated Financial Statements with Supplemental Information

Years Ended December 31, 2014 and 2013

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CPAS AND BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Gervais Telephone Company and Subsidiary  
Gervais, Oregon

We have audited the accompanying consolidated financial statements of Gervais Telephone Company and Subsidiary (an Oregon cooperative corporation) (the Company), which comprise the consolidated balance sheets as of December 31, 2014, and 2013 and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gervais Telephone Company and Subsidiary as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

680 HAWTHORNE AVENUE SE, #140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP



**Report on Consolidating Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I-III are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating financial information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2015, on our consideration of Gervais Telephone Company and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gervais Telephone Company's internal control over financial reporting and compliance.

**AKT LLP**

Salem, Oregon  
March 3, 2015



**GERVAIS TELEPHONE COMPANY and SUBSIDIARY****Consolidated Balance Sheets**

December 31, 2014 and 2013

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 443,917	\$ 172,224
Accounts receivable, net of allowance for doubtful accounts of \$2,000	336,014	294,737
Materials and supplies	17,250	15,230
Prepaid expenses	<u>58,518</u>	<u>63,126</u>
Total Current Assets	<u>855,699</u>	<u>545,317</u>
Investments and Other Assets	<u>275,592</u>	<u>283,681</u>
Property, Plant, and Equipment:		
Telecommunications	11,189,720	11,129,134
Plant under construction	<u>10,390</u>	<u>53,565</u>
	11,200,110	11,182,699
Less accumulated depreciation	<u>5,478,635</u>	<u>5,171,929</u>
Property, Plant, and Equipment, net	<u>5,721,475</u>	<u>6,010,770</u>
	<u>\$ 6,852,766</u>	<u>\$ 6,839,768</u>

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**LIABILITIES AND MEMBERS' EQUITY**

	2014	2013
Current Liabilities:		
Current portion of long-term debt	\$ 131,553	\$ 121,662
Line of credit	-	199,422
Accounts payable	48,886	66,172
Accrued liabilities	56,496	36,621
Current portion of deferred revenue	9,247	-
Advance billings	117,627	137,828
Total Current Liabilities	363,809	561,705
Deferred Grant Revenues	271,522	281,420
Long-Term Debt	1,112,825	1,245,840
Deferred Revenue	101,719	-
Other Long-Term Liabilities	88,077	80,205
Deferred Tax Liability	126,300	116,800
Unclaimed Patronage Capital Retired	263,561	263,561
Total Liabilities	2,327,813	2,549,531
Members' Equity:		
Memberships	13,406	13,301
Patronage capital	4,511,547	4,276,936
Total Members' Equity	4,524,953	4,290,237
	\$ 6,852,766	\$ 6,839,768

**GERVAIS TELEPHONE COMPANY and SUBSIDIARY****Consolidated Statements of Operations**

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Local network	\$ 677,576	\$ 616,543
Network access	1,946,573	1,579,573
Miscellaneous	<u>182,141</u>	<u>413,679</u>
Total Operating Revenues	<u>2,806,290</u>	<u>2,609,795</u>
Operating Expenses:		
Plant specific	728,769	756,005
Plant nonspecific	79,922	92,426
Customer	268,584	280,456
Corporate	645,300	641,170
Depreciation	536,904	516,885
Other taxes	<u>84,979</u>	<u>90,479</u>
Total Operating Expenses	<u>2,344,458</u>	<u>2,377,421</u>
Operating Margin	<u>461,832</u>	<u>232,374</u>
Other Income (Expense):		
Loss on disposal of assets	(152,153)	-
Other income	11,325	12,749
Nonoperating income taxes	<u>(9,500)</u>	<u>(12,213)</u>
Total Other Income (Expense)	<u>(150,328)</u>	<u>536</u>
Margin Available for Fixed Charges	311,504	232,910
Fixed Charges - Interest on Long-Term Debt	<u>48,232</u>	<u>56,583</u>
Net Margin	<u>\$ 263,272</u>	<u>\$ 176,327</u>

**GERVAIS TELEPHONE COMPANY and SUBSIDIARY**  
**Consolidated Statements of Changes in Members' Equity**  
Years Ended December 31, 2014 and 2013

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	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Total</u>
Balance, December 31, 2012	\$ 13,186	\$ 4,100,609	\$ 4,113,795
Net margin	-	176,327	176,327
Change in memberships	<u>115</u>	<u>-</u>	<u>115</u>
Balance, December 31, 2013	13,301	4,276,936	4,290,237
Net margin	-	263,272	263,272
Change in memberships	105	-	105
Estate payments	<u>-</u>	<u>(28,661)</u>	<u>(28,661)</u>
Balance, December 31, 2014	<u>\$ 13,406</u>	<u>\$ 4,511,547</u>	<u>\$ 4,524,953</u>



# GERVAIS TELEPHONE COMPANY and SUBSIDIARY

## Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Net margin	\$ 263,272	\$ 176,327
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	536,904	516,885
Change in deferred taxes	9,500	9,200
Noncash patronage dividend	-	(3,357)
Recognition of deferred ARRA BIP grant revenue	(9,898)	(9,899)
Loss on disposal of property and equipment	152,153	-
Changes in assets and liabilities:		
Accounts receivable	(41,277)	60,745
Materials and supplies	(2,020)	9,285
Prepaid expenses	4,608	(7,640)
Accounts payable	(17,286)	(262,588)
Accrued liabilities	19,875	2,343
Advanced billings	(20,201)	38,730
Other long-term liabilities	7,872	9,261
Deferred revenue	110,966	-
Net Cash Provided by Operating Activities	<u>1,014,468</u>	<u>539,292</u>
Cash Flows from Investing Activities:		
Purchase of property, plant, and equipment	(399,762)	(301,434)
Proceeds from redemption of investments	15,961	16,686
Change in other assets	(7,872)	(9,261)
Net Cash Used by Investing Activities	<u>(391,673)</u>	<u>(294,009)</u>
Cash Flows from Financing Activities:		
Net change in line of credit	(199,422)	(578)
Principal payments on long-term debt	(123,124)	(169,017)
Proceeds from ARRA BIP grant	-	3,535
Estate payments to patrons	(28,661)	-
Memberships	105	115
Net Cash Used by Financing Activities	<u>(351,102)</u>	<u>(165,945)</u>
Net Increase in Cash	271,693	79,338
Cash and Cash Equivalents, beginning	172,224	92,886
Cash and Cash Equivalents, ending	<u>\$ 443,917</u>	<u>\$ 172,224</u>
Cash Paid for Interest, net of amount capitalized	<u>\$ 48,232</u>	<u>\$ 56,383</u>
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ 3,013</u>

See accompanying notes to consolidated financial statements.

## **GERVAIS TELEPHONE COMPANY and SUBSIDIARY**

*(An Oregon Cooperative Corporation)*

### **Notes to Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

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#### **Note 1 - Organization and Summary of Significant Accounting Policies**

##### Organization

Gervais Telephone Company (the Company) is an Oregon cooperative corporation providing telecommunications services to its members on a cooperative basis. The service area is in the general vicinity of Gervais, Oregon. The Company operates under a franchise agreement with the City of Gervais, Oregon. The Company provides telecommunication services to customers outside its Cooperative service area through DataVision Communications, LLC (DataVision), a wholly-owned subsidiary of the Company. DataVision operates under franchise agreements with the City of Woodburn, Oregon, the City of Hubbard, Oregon, the City of Salem, Oregon, and the City of Silverton, Oregon.

##### Regulation

The Company is subject to limited regulation by the Public Utility Commission of Oregon (PUC) and the Federal Communications Commission (FCC) and maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the FCC and adopted by the PUC. As a result, the application of accounting principles generally accepted in the United States of America by the Company differs in certain respects from the application by nonregulated businesses. Such differences primarily concern the time at which certain items enter into the determination of net margin.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Company's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

##### Principles of Consolidation

The accompanying consolidated financial statements include the Company and its subsidiary, DataVision Communications, LLC. All intercompany transactions have been eliminated in consolidation.

##### Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The Company estimates that the fair value of all of these non-derivative financial instruments at December 31, 2014 and 2013 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying consolidated balance sheets.

##### Estimates

The Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

##### Cash and Cash Equivalents

The Company considers all highly liquid investment securities purchased with a maturity of 3 months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC), which is generally \$250,000 per account holder, per bank. The Company had \$237,652 of uninsured cash at December 31, 2014, and none in 2013. The Company has not experienced any losses in its bank deposit accounts and believes it is not exposed to any significant credit risk on cash.

##### Accounts Receivable

Accounts receivable are recorded at unpaid balances, less an allowance for doubtful accounts of \$2,000 at December 31, 2014 and 2013. Receivables are considered past due if payments are not received in accordance with invoice terms of net 30 days. Receivables are written off when the Company determines an account is uncollectible.

## GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### Note 1 - Organization and Summary of Significant Accounting Policies, continued

##### Income Taxes

The Company has been granted an exemption from Federal income taxes, except for "unrelated" business income, under Section 501(c)(12) of the Internal Revenue Code. The Company is also exempt from state income taxes. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Company becomes a taxable cooperative. The Company was taxable in 2014 and 2013. Federal and state taxes payable by taxable cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated to patrons within 8 ½ months after the end of each taxable year.

Deferred taxes represent the future tax return consequence of differences between the financial statement and the tax basis of assets and liabilities, which will either be taxable or deductible when the related assets or liabilities are recorded or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company follows the accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision in the statement of operations, when applicable. There are no amounts accrued in the consolidated financial statements related to uncertain tax positions.

The Company files federal, state and local income tax returns. With limited exceptions, the Company is no longer subject to examinations for years before 2011.

##### Excise Tax Refunds

Refunds of Federal Communications excise taxes, resulting from the Company's status as a tax-exempt cooperative, are recorded as a direct increase to patronage capital and allocated to the members.

##### Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined principally by the average cost method.

##### Property, Plant, and Equipment

Property, plant, and equipment in service and under construction of the Company is stated at cost, including estimated overhead expense. Maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment in accordance with industry standards and ranges from 2% to 15%. Costs of plant retired are eliminated from telecommunications plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation consistent with industry practice.

DataVision and other non-regulated property and equipment in service and under construction are stated at cost. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment. Asset lives range from 13 to 50 years. Maintenance, repairs, and replacements are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset account and the related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

##### Members' Equity

A membership certificate is issued to each subscriber who becomes a member, which entitles the member to a vote at the annual meeting. The cost of a membership certificate is \$5.

##### Patronage Capital

Patronage capital is derived from margins retained from operations, which are allocated as credits to the accounts of individual patrons and are subject to retirement at the discretion of the Board of Directors.



## GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### Note 1 - Organization and Summary of Significant Accounting Policies, continued

##### Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed.

Monthly service fees derived from local telephone and internet service are billed in advance. Advance billings are recorded as a liability and subsequently transferred to income in the period earned. Access charges (see Note 1, Network Access Revenue), long distance and other revenues based on usage are billed in arrears.

##### Network Access Revenues

Network access revenue is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long-distance carrier for access and interconnection to local facilities. The Company has elected to file access tariffs through the National Exchange Carriers Association (NECA) and directly with the PUC for these charges. These access tariffs are subject to approval by the FCC for interstate charges and the PUC for intrastate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investments maintained.

The Company participates in pooling arrangements with NECA. They also participated in pooling arrangements with OECA through June 2014, at which time the OECA Special Access pool was closed. The OECA Optional pool closed in July 2013.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months (NECA pool only) after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies prepared by outside consultants.

In addition to recoveries from the pools, the Company also receives revenues from the Universal Service High Cost Loop Fund (HCL) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Company for the high cost of providing service in rural areas. The amount of support received from HCL is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. The Company also receives funding from the Oregon Universal Service Fund (OUS) administered by the PUC. These support revenues are included in the network access revenues in the accompanying financial statements.

In 2014, the Company received \$282,768 from the USAC High Cost Loop Fund (\$273,612 in 2013) and \$762,093 in interstate access revenues administered through the NECA Pool (\$498,879 in 2013). In 2014, the Company received \$121,913 from the OUS fund (\$111,767 in 2013). The current funding levels for the Oregon Universal Service Fund are determined in accordance with PUC Order 13-162 which ends June 30, 2016. The level of funding after this date cannot be reasonably estimated at this time.

##### National Broadband Plan and FCC Order

In 2010, the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetrations and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and moved to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.



## GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### Note 1 - Organization and Summary of Significant Accounting Policies, continued

##### National Broadband Plan and FCC Order, continued

In response to the plan, on October 27, 2011 the FCC approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms.

The key provisions of the order include:

- Capping the federal universal service fund at current levels.
- Placing limitations on capital and operating spending.
- Establishing local rate benchmarks.
- Capping the per-line support amount for the universal service high cost loop fund at \$250 per month.
- Phase out of local switching support and the establishment of the CAF for recovery of investment and expenses related to the provision of switching services.
- Reforming the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers such as the Company is approximately 9 years from the date of the order.
- Adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues.

The Order was effective December 29, 2011 and implementation began July 1, 2012. As of the implementation date, CAF recovery is calculated based on the frozen fiscal year 2011 interstate switched access revenue requirement, plus certain 2011 intrastate access revenues, and will decline annually by 5% during the transition period.

As of December 31, 2014, the Company is transitioning its local rates and impacts of the \$250 per line support cap were minimal. Furthermore, for the period ended December 31, 2014 the impacts to the Company related to the 5% annual decline in switched access revenues have not been significant.

The overall reform process will take place in phases and will take several years to implement. Furthermore, the Order includes a Further Notice of Proposed Rulemaking. The FCC has issued numerous Orders for Reconsideration and continues to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

##### Deferred Grant Revenue

Deferred grant revenue consists of \$271,522 (\$281,420 in 2013) for the Broadband Initiatives Program grant described in Note 7. The deferred revenue is being recognized over the useful lives of the assets associated with the project. In 2014, \$9,898 was amortized from deferred grant revenue and recognized as revenue in the accompanying consolidated statements of operations (\$9,899 in 2013).

##### Subsequent Events

The Company has evaluated subsequent events through March 3, 2015, which is the date the financial statements were available to be issued.

**GERVAIS TELEPHONE COMPANY and SUBSIDIARY***(An Oregon Cooperative Corporation)***Notes to Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

**Note 2 - Investments and Other Assets**

Investments and other assets are recorded at cost and consist of the following:

	<u>2014</u>	<u>2013</u>
Rural Telephone Finance Cooperative (RTFC)	\$ 164,361	\$ 180,322
Oregon 2000 contribution	500	500
Western Independent Networks, Inc. (WIN)	12,724	12,724
ANPI Holding, Inc.	9,800	9,800
Other investments	130	130
Deferred compensation plan deposits	88,077	80,205
	<u>\$ 275,592</u>	<u>\$ 283,281</u>

Shares of Rural Telephone Finance Cooperative (RTFC) subordinated certificates are purchased as a condition of obtaining long-term financing from the RTFC. Holders of subordinated certificates are entitled to patronage dividends as determined by the RTFC board of directors.

**Note 3 - Property, Plant, and Equipment**

Listed below are the major classes of property, plant, and equipment at December 31:

	<u>2014</u>	<u>2013</u>
<i>Gervais Telephone</i>		
Land and support services	\$ 927,196	\$ 890,605
Central office switching and transmission	1,786,814	1,778,094
Cable and wire facilities	4,591,136	4,522,202
Under construction	1,558	-
	<u>\$ 7,306,704</u>	<u>\$ 7,190,901</u>
<i>DataVision</i>		
Central office switching and transmission	\$ 317,695	\$ 692,947
Cable and wire facilities	3,566,879	3,245,286
Under construction	8,832	53,565
	<u>\$ 3,893,406</u>	<u>\$ 3,991,798</u>
Total Property, Plant, and Equipment	<u>\$ 11,200,110</u>	<u>\$ 11,182,699</u>

## GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

#### Note 4 - Employee Benefit Plans

The Company participates in the National Telecommunication Cooperative Association (NTCA) Savings 401(k) Plan (the Savings Plan). The Savings Plan is a qualified multi-employer defined contribution pension plan that covers all full-time eligible employees. As described in the Savings Plan Agreement, the Company contributes 11% of eligible salaries paid. Total contributions to the Savings Plan were \$63,630 in 2014 (\$65,177 in 2013).

The Company also participates in the NTCA Deferred Compensation Program available to certain employees. Contributions to the Deferred Compensation Plan were \$5,268 in 2014 (\$5,014 in 2013). The total obligation and fair value of assets under the Deferred Compensation Plan at December 31, 2014 is \$88,077 (\$80,205 in 2013).

All amounts of compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of Gervais Telephone Company, subject only to the claims of the Company's general creditors. Participants' rights under the Deferred Compensation Plan are equal to those of general creditors of the Company in an amount equal to the fair market value of the deferred account for each participant. The deferred compensation plan liability is included with Other Long-Term Liabilities on the accompanying consolidated balance sheets.

#### Note 5 - Long-Term Debt

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
3.35% to 3.55% notes payable to RTFC in quarterly installments of principal and interest, varying based on advances, collateralized by real and personal property, due February 2021. Subordinate to RUS.	\$ 962,249	\$ 1,075,776
2.55% to 4.32% notes payable to RUS for ARRA Broadband Initiatives Program, interest only payments made monthly through March 2013, then monthly payments of \$1,690, principal and interest, collateralized by real and personal property, due March 2034.	<u>282,126</u>	<u>291,726</u>
	1,244,378	1,367,502
Less current portion	<u>131,553</u>	<u>121,662</u>
	\$ <u>1,112,825</u>	\$ <u>1,245,840</u>

Future maturities of long-term debt are as follows:

2015	\$ 131,553
2016	142,272
2017	153,943
2018	166,482
2019	180,129
Thereafter	469,999

The loan contains restrictions on the payment of dividends and requires the Company to maintain certain levels of equity and meet certain financial ratios. The Company's management believes it is in compliance with these covenants at December 31, 2014.

## GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### Note 5 - Long-Term Debt, continued

The Company has a \$700,000 line of credit with RTFC with an interest rate of 3.55% at December 31, 2014 that expires December 29, 2016. There were no advances on the line of credit at December 31, 2014 (\$199,422 at December 31, 2013).

#### Note 6 - Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future.

Deferred income taxes consist of the following:

	<u>2014</u>	<u>2013</u>
Liability for depreciation differences	\$ 235,400	\$ 255,400
Benefit of net operating losses	(53,500)	(80,600)
Benefit of deferred BIP revenue	<u>(56,000)</u>	<u>(58,000)</u>
Net deferred tax liability	\$ <u>126,300</u>	\$ <u>116,800</u>

The Company has Federal net operating loss carryforwards of approximately \$245,400 that may be used to offset future taxable income which begin to expire in 2024 and state net operating loss carryforwards of approximately \$247,200 that begin to expire in 2023.

Income tax benefit (expense) consists of the following:

Nonoperating:

Currently payable	\$ (26,400)	\$ (5,593)
Deferred tax	(9,500)	(9,200)
Benefit of net operating loss carryforward	<u>26,400</u>	<u>2,580</u>
Total income tax benefit (expense)	\$ <u>(9,500)</u>	\$ <u>(12,213)</u>

The net income tax benefit (expense) is presented on the Consolidated Statements of Operations with other income (expense).

#### Note 7 - Broadband Grant and Loan

In 2010, the Company was selected to receive funding for a broadband project by the United States Department of Agriculture, through the American Recovery and Reinvestment Act Broadband Initiatives Program (BIP). The broadband project is funded through a \$314,430 grant and a \$314,430 loan from the Rural Utilities Service (RUS).

There were no grant amounts requested and received in 2014 (\$3,535 in 2013). Construction on the project is complete and operational as of December 31, 2014.

#### Note 8 - Deferred Revenue

Deferred revenue consists of prepayments for construction of two dark fiber strands to be leased to a fiber network provider. The Company is constructing these unique fiber strands to be leased to the fiber network provider starting in 2015. The revenue will be recognized over the term of the contract, which is 72 months.



## SUPPLEMENTAL INFORMATION

# GERVAIS TELEPHONE COMPANY and SUBSIDIARY

## Consolidating Balance Sheets

December 31, 2014

	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 443,917	\$ -	\$ -	\$ 443,917
Accounts receivable, net of allowance for doubtful accounts of \$2,000	193,885	259,241	(117,112)	336,014
Materials and supplies	17,250	-	-	17,250
Prepaid expenses	58,099	419	-	58,518
Total Current Assets	713,151	259,660	(117,112)	855,699
Investments and Other Assets	3,090,662	-	(2,815,070)	275,592
Property, Plant, and Equipment:				
Telecommunications	7,305,146	3,884,574	-	11,189,720
Plant under construction	1,558	8,832	-	10,390
	7,306,704	3,893,406		11,200,110
Less accumulated depreciation	4,333,595	1,145,040	-	5,478,635
Property, Plant, and Equipment, net	2,973,109	2,748,366	-	5,721,475
	<u>\$ 6,776,922</u>	<u>\$ 3,008,026</u>	<u>\$ (2,932,182)</u>	<u>\$ 6,852,766</u>

	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
Current Liabilities:				
Current portion of long-term debt	\$ 131,553	\$ -	\$ -	\$ 131,553
Accounts payable	158,492	7,506	(117,112)	48,886
Accrued liabilities	46,833	9,663	-	56,496
Current portion of deferred revenue	-	9,247	-	9,247
Advance billings	52,806	64,821	-	117,627
Total Current Liabilities	389,684	91,237	(117,112)	363,809
Deferred Grant Revenues	271,522	-	-	271,522
Long-Term Debt	1,112,825	-	-	1,112,825
Deferred Revenue	-	101,719	-	101,719
Other Long-Term Liabilities	88,077	-	-	88,077
Deferred Tax Liability	126,300	-	-	126,300
Unclaimed Patronage Capital Retired	263,561	-	-	263,561
Total Liabilities	2,251,969	192,956	(117,112)	2,327,813
Members' Equity:				
Contributed capital	-	2,368,869	(2,368,869)	-
Retained earnings	-	446,201	(446,201)	-
Memberships	13,406	-	-	13,406
Patronage capital	4,511,547	-	-	4,511,547
Total Members' Equity	4,524,953	2,815,070	(2,815,070)	4,524,953
	<u>\$ 6,776,922</u>	<u>\$ 3,008,026</u>	<u>\$ (2,932,182)</u>	<u>\$ 6,852,766</u>

**GERVAIS TELEPHONE COMPANY and SUBSIDIARY**
**Consolidating Statements of Operations**

December 31, 2014

Schedule II

	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
Operating Revenues:				
Local network	\$ 284,946	\$ 392,630	\$ -	\$ 677,576
Network access	1,405,382	541,191	-	1,946,573
Miscellaneous	278,727	77,950	(174,536)	182,141
Total Operating Revenues	1,969,055	1,011,771	(174,536)	2,806,290
Operating Expenses:				
Plant specific	466,963	261,806	-	728,769
Plant nonspecific	43,641	36,281	-	79,922
Customer	182,000	117,120	(30,536)	268,584
Corporate	563,506	225,794	(144,000)	645,300
Depreciation	359,636	177,268	-	536,904
Other taxes	73,118	11,861	-	84,979
Total Operating Expenses	1,688,864	830,130	(174,536)	2,344,458
Operating Margin	280,191	181,641	-	461,832
Other Income (Expense):				
Income from subsidiary	29,488	-	(29,488)	-
Loss on disposal of assets	-	(152,153)	-	(152,153)
Other income	11,325	-	-	11,325
Nonoperating income taxes	(9,500)	-	-	(9,500)
Total Other Income (Expense)	31,313	(152,153)	(29,488)	(150,328)
Margin Available for Fixed Charges	311,504	29,488	(29,488)	311,504
Fixed Charges - Interest on Long-Term Debt	48,232	-	-	48,232
Net Margin	\$ 263,272	\$ 29,488	\$ (29,488)	\$ 263,272



**GERVAIS TELEPHONE COMPANY and SUBSIDIARY**
**Consolidating Statements of Cash Flows**

December 31, 2014

Schedule III

	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
Cash flows from Operating Activities:				
Net margin	\$ 263,272	\$ 29,488	\$ (29,488)	\$ 263,272
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation	359,636	177,268	-	536,904
Change in deferred taxes	9,500	-	-	9,500
Income from subsidiary	(29,488)	-	29,488	-
Recognition of deferred ARRA BIP grant revenue	(9,898)	-	-	(9,898)
Loss on disposal of property and equipment	-	152,153	-	152,153
Changes in assets and liabilities:				
Accounts receivable	27,814	(186,203)	117,112	(41,277)
Materials and supplies	(2,020)	-	-	(2,020)
Prepaid expenses	5,027	(419)	-	4,608
Accounts payable	99,267	559	(117,112)	(17,286)
Accrued liabilities	14,917	4,958	-	19,875
Advance billings	(22,412)	2,211	-	(20,201)
Other long-term liabilities	7,872	-	-	7,872
Deferred revenue	-	110,966	-	110,966
Net Cash Provided by Operating Activities	<u>723,487</u>	<u>290,981</u>	<u>-</u>	<u>1,014,468</u>
Cash flows from Investing Activities:				
Purchase of property, plant, and equipment	(108,781)	(290,981)	-	(399,762)
Proceeds from redemption of investments	15,961	-	-	15,961
Change in other assets	(7,872)	-	-	(7,872)
Net Cash Used by Investing Activities	<u>(100,692)</u>	<u>(290,981)</u>	<u>-</u>	<u>(391,673)</u>
Cash flows from Financing Activities:				
Net change in line of credit	(199,422)	-	-	(199,422)
Principal payments on long-term debt	(123,124)	-	-	(123,124)
Estate payments to patrons	(28,661)	-	-	(28,661)
Memberships	105	-	-	105
Net Cash Used by Financing Activities	<u>(351,102)</u>	<u>-</u>	<u>-</u>	<u>(351,102)</u>
Net Increase in Cash	271,693	-	-	271,693
Cash and Cash Equivalents, beginning	172,224	-	-	172,224
Cash and Cash Equivalents, ending	<u>\$ 443,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,917</u>
Cash Paid for Interest, net of amount capitalized	<u>\$ 48,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,232</u>
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>